

Message Text

SECRET

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----271919Z 016482 /41

O R 272006Z APR 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC IMMEDIATE 3175
INFO AMEMBASSY BONN
AMEMBASSY ISLAMABAD
AMEMBASSY PARIS

S E C R E T SECTION 01 OF 02 LONDON 06889

EXDIS

E.O. 11652: GDS

TAGS:

SUBJECT: U.S./FRENCH NUCLEAR SUPPLIERS BILATERAL

1. FRENCH TEAM LED BY NAZELLE AND GOLDSCHMIDT MET WITH U.S. TEAM LED BY NYE MORNING OF APRIL 27. ATMOSPHERE OF MEETING WAS HIGHLY POSITIVE IN KEEPING WITH CLOSE WORKING RELATIONSHIP. NAZELLE INDICATED THAT SUBJECT TO ITS NUCLEAR POLICY COUNCIL MEETING SCHEDULED FOR APRIL 28, GOF HAD MADE NO CHANGES IN NUCLEAR EXPORT POLICY, ALTHOUGH POLICY WOULD BE REVIEWED FURTHER IN LIGHT OF SUPPLIERS' MEETINGS AND IN PREPARATION FOR REVIEW MEETING ANTICIPATED IN LATE JUNE.

2. U.S. POLICY STATEMENTS: ON PRESIDENT'S NUCLEAR POWER STATEMENT, FRENCH EXPRESSED APPRECIATION FOR ITS RECOGNITION OF IMPORTANCE OF NUCLEAR ENERGY AND FACT THAT IT DID NOT OPPOSE DEVELOPMENT OF PLUTONIUM BREEDER. HOWEVER, THEY SAID THEY WERE "ASTONISHED" BY U.S. COMMITMENT TO CENTRIFUGE ENRICHMENT PROCESS IN PRESIDENTIAL ENERGY DECISIONS, WHICH THEY BELIEVED COULD HAVE STRONGLY ADVERSE EFFECTS ON NON-PROLIFERATION OBJECTIVES

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BY INFLUENCING COUNTRIES TO OPT FOR CENTRIFUGE TECHNOLOGY AND PLANTS MUCH MORE DIFFICULT TO SAFEGUARD INSTEAD OF DIFFUSION PLANTS. U.S. DEL EXPLAINED THAT CENTRIFUGE WAS OPERATIONAL IN EUROPE AND ECONOMICAL PROCESS, CONTROL OVER ENRICHMENT TECHNOLOGY TRANSFERS REMAINED CRITICAL, AND EXPANSION OF U.S. ENRICHMENT CAPACITY TO MEET FOREIGN REQUIREMENTS WAS VITAL TO MINIMIZING PROLIFERATION IN-

CENTIVES.

3. INFCEP AND MB-10S: NAZELLE INDICATED THAT FRANCE WAS PREPARED TO JOIN PROPOSED INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION PROGRAM IN LIGHT OF U.S. READINESS TO INCORPORATE STUDIES OF REPROCESSING IN INFCEP. HOWEVER, HE AND GOLDSCHMIDT WERE CONCERNED ABOUT ADVERSE COMMERCIAL IMPACT ON FRENCH DOMESTIC REPROCESSING PLANS OF PRESIDENT'S DECISION TO PERMIT REPROCESSING OF U.S.-DERIVED FUEL ONLY ON CASE-BY-CASE BASIS AND ONLY WHEN CLEARLY NEEDED, ALTHOUGH THEY UNDERSTOOD U.S. EXPLANATIONS OF IMPORTANCE OF CONSISTENT APPROACH REGARDING REPROCESSING OF U.S.-DERIVED FUEL AND NEED FOR NON-DISCRIMINATORY APPROACH TO REPROCESSING RESTRAINT. GOLDSCHMIDT NOTED, IN THIS CONNECTION, THAT JAPAN WOULD HAVE TO MAKE A SUBSTANTIAL DOWN-PAYMENT FOR LONG-TERM REPROCESSING CONTRACT WITH LE HAGUE REPROCESSING PLANT. NAZELLE REITERATED FRENCH VIEW THAT FUEL CYCLE SERVICES, INCLUDING REPROCESSING SERVICES, WERE MOST EFFECTIVE ALTERNATIVE TO TRANSFERS OF SENSITIVE NUCLEAR TECHNOLOGY.

4. LONDON SUPPLIERS ISSUES: FRENCH INDICATED THAT THEY REMAINED UNPREPARED TO MOVE TOWARD FULL-SCOPE SAFEGUARDS REQUIREMENTS BUT WOULD THINK AGAIN IN LIGHT OF NEW U.S. POSITION ON SAFEGUARDS CONDITIONS. NYE MENTIONED FRG CONCERN THAT ABSENCE OF SUPPLIER CONSENSUS ON FULL-SCOPE SAFEGUARDS WOULD PUT SUPPLIERS REQUIRING MORE STRINGENT CONDITIONS AT COMMERCIAL DISADVANTAGE. NAZELLE EXPRESSED
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VIEW THAT AS POLITICAL MATTER, GOF WOULD BE UNLIKELY TO UNDERMINE OTHER SUPPLIERS BY EXPORTING TO CONSUMERS REJECTING NUCLEAR BUSINESS ON SAFEGUARDS GROUNDS. NYE SUGGESTED POSSIBILITY OF INFORMAL UNDERSTANDING THAT FRANCE WOULD NOT TAKE COMMERCIAL ADVANTAGE OF VARYING SAFEGUARDS REQUIREMENTS AMONG SUPPLIERS.

5. ON MUTUAL CONSENT PROVISIONS, FRENCH INDICATED PARTICULARLY STRONG VIEW THAT URANIUM PRODUCERS REPEAT PRODUCERS DID NOT OBTAIN VETO RIGHTS. SUCH RIGHTS WOULD PERMIT AUSTRALIANS, FOR EXAMPLE, TO PREVENT REPROCESSING AS LEVERAGE TO INCREASE PRICE OF URANIUM. FRENCH ACCEPTED U.S. POINT THAT NEW SOURCES OF SUPPLY AND SECURED CONDITIONS OF SUPPLY WOULD MITIGATE THIS PROBLEM, BUT BELIEVED THAT FUTURE UNCERTAINTIES RULED OUT MAKING ARTICLE 9 OF SUPPLIERS GUIDELINES MANDATORY ACROSS THE BOARD.

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O R 272006Z APR 77
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6. ON SANCTIONS, FRENCH INDICATED READINESS TO STRENGTHEN SUPPLIER COMMITMENTS TO CONSULT IN EVENT OF VIOLATIONS OF IAEA SAFEGUARDS, WHICH THEY WOULD VIEW WITH UTMOST SERIOUSNESS, BUT NOT IN EVENT OF WITHDRAWAL FROM NPT (BECAUSE FRANCE WAS NON-PARTY) OR OF NUCLEAR EXPLOSIONS WHICH WOULD HAVE TO BE CONSIDERED ON CASE-BY-CASE BASIS.

7. ON FUTURE OF LONDON SUPPLIERS GROUP, FRENCH REMAIN CONVINCED THAT GROUP SHOULD BE EXPANDED ONLY ON THE BASIS OF ADHERING TO GUIDELINES AFTER THEY ARE NEGOTIATED AND PUBLISHED. THEY DID NOT SEE MUCH BENEFIT IN UK IDEA OF APPROACHING IMPORTANT COUNTRIES AFTER AGREEMENT ON BUT BEFORE PUBLICATION OF GUIDELINES. BOTH SIDES AGREED TO PURSUE TWO-TRACK APPROACH OF EXPANDED LONDON GROUP AND INFCEP.

8. BRAZIL AND PAKISTAN. NYE BROUGHT FRENCH UP-TO-DATE ON U.S. CONSULTATIONS WITH FRG ON BRAZIL NUCLEAR ISSUE, CONFIRMING THAT U.S. WOULD CONTINUE TO PURSUE NON-PROLIFERATION CONCERNS WITH BOTH PARTIES IN BROAD POLITICAL
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CONTEXT. ON PAKISTAN, NAZELLE CONFIRMED THAT FRANCE WOULD CONSULT U.S. BEFORE TAKING FURTHER ACTION ON FINANCING ARRANGEMENTS, BUT WARNED THAT GOP WOULD HAVE FURTHER ACCESS TO REPROCESSING BLUEPRINTS BEFORE END OF MONTH. NYE POINTED OUT IMPOSSIBILITY OF NEGOTIATING WITH BHUTTO WHILE HE WAS FIGHTING FOR HIS POLITICAL LIFE AND WARNED THAT NEGOTIATIONS COULD BE PROTRACTED AS RESULT OF PAKISTAN POLITICAL UNCERTAINTIES AS WELL AS U.S. DESIRE BOTH TO AVOID CONTRIBUTING TO ARMS RACE AND TO DEVELOP POSITIVE RELATIONSHIP WITH NEW INDIAN GOVERNMENT. IN LIGHT OF NEW CIRCUMSTANCES, NAZELLE AGREED TO SURVEY WHOLE ISSUE AND CONSIDER WAYS IN WHICH GOF COULD JUSTIFY AT LEAST LONGER DELAYS IN IMPLEMENTING REPROCESSING CONTRACT. POSSIBILITIES BROUGHT UP IN DISCUSSION INCLUDE RISK TO FRENCH CITIZENS AND PROPERTY, SLOWDOWN IN PAKISTAN PAYMENTS, AND INTERRUPTED COMMUNICATIONS WITH GOP.

9. FURTHER TO PARAS 4 AND 6 ABOVE, NYE INDICATED THAT U.S. WOULD RETAIN PRESIDENTIAL EXCEPTION PROVISION PENDING SUPPLIER AGREEMENT TO ADOPT COMPREHENSIVE SAFEGUARDS. NAZELLE EXPRESSED POSITIVE INTEREST AND INDICATED THEY WOULD CONSIDER THIS FORMULATION, ALONG WITH AGREEMENT TO CONSULT PRIOR TO ANY EXCEPTION, AS BASIS FOR ADOPTING COMPREHENSIVE SAFEGUARDS REQUIREMENT. ON SANCTIONS, FRENCH INDICATED SOME RECEPTIVITY TO IDEA THAT SUPPLIERS MIGHT AGREE NOT TO TAKE COMMERCIAL ADVANTAGE OF IMPOSITION OF SANCTIONS BY ANOTHER SUPPLIER.

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